

Suresnes, August 31, 2011

## 2011 interim results

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### Satisfactory operating performance

- **Commodity prices still high**
- **Processed battery volumes comparable to first-half 2010**
- **Positive operating income before non-recurring items in all business segments**
- **Consolidated EBITDA: €18.7 million**
- **Consolidated net income: €6.3 million**
- **Cash position affected by higher inventories in the Lead segment**

Battery processing volumes remained stable year-on-year in the first half of 2011, while lead production grew by more than 11%. Zinc production was similar to that seen in the first half of 2010, despite the maintenance shutdown at the Harz-Metall GmbH subsidiary. Sales in the Plastics segment rose by 41% year-on-year. The Special Metals segment increased sales of germanium and high-purity arsenic.

## 1. Market data

Metals prices moved sharply in the first half of 2011, particularly lead prices. The average lead price, in euro terms, between January and April 2011 was over €1,900 per tonne, while the lowest average of the first half, in May 2011, was less than €1,700 per tonne. However, the average lead price during the first half of 2011 (€1,841 per tonne) was substantially higher than that seen in the year-earlier period (€1,565 per tonne).

The price of silver (one of the metals contained in lead concentrates) rose sharply, and was highly volatile, during the first half of 2011.

Zinc prices also saw large-scale variations during the period. In February 2011, the average zinc price was just over €1,800 per tonne, while in May 2011 it had fallen to €1,508 per tonne. In the first half of 2011, the average zinc price was roughly the same as in the year-earlier period.

## 2. Key figures

In millions of euros	First half 2011 (to June 30, 2011)	First half 2010 (to June 30, 2010)
Consolidated sales	248.8	193.6
EBITDA <sup>1</sup> (IFRS)	18.7	11.6
EBITDA (LIFO <sup>2</sup> )	10.5	13.1
Operating income (loss) before non-recurring items (IFRS)	12.7	4.0
Operating income (loss) before non-recurring items (LIFO <sup>2</sup> )	5.3	7.9
Consolidated net income (IFRS)	6.3	5.6

In millions of euros	at June 30, 2011	at December 31, 2010
Equity	106.4	99.5
Net cash and cash equivalents <sup>3</sup>	40.5	60.7

## 3. Cash and cash equivalents and net income

Cash and cash equivalents decreased during the first half of 2011 relative to December 31, 2010. This was caused by a sharp rise in the working capital requirement relating primarily to the increase in

<sup>1</sup> Operating income before non-recurring items, depreciation, amortization, provisions and impairment losses

<sup>2</sup> To assess the performance of its Lead operating segment, in its internal reporting the Group uses the LIFO (last in first out) method, which is not used under IFRS, to measure inventories for its main smelter in Germany (Nordenham). Note 4 to the condensed consolidated financial statements for the first half of 2011 shows the effects of adjusting the inventories of the main German smelter using the LIFO method.

<sup>3</sup> Cash net of bank overdraft facilities

inventories in the Lead segment, which arose from a sharp rise in prices and volumes of materials like lead and silver.

Nevertheless, Group cash flow before net interest and tax expense amounted to more than €17 million in the first half of 2011.

First-half consolidated net income was affected by the decision to set aside reserves (of €2.6 million) for impairment losses on financial instruments used to hedge the Group's lead inventories, which are not recognized as hedging instruments under IFRS, the latter excluding the booking of any profit linked to the physical counterparts of the aforementioned derivatives.

#### **4. Results by segment (excluding holding companies and environmental services)**

The Lead segment accounted for 73% of total sales compared with 18% for Zinc, 6% for Special Metals and 3% for Plastics.

##### **▪ Lead recycling**

Overall, the Group's plants processed the same volume of used batteries in the first half of 2011 as in the same period of 2010.

Algerian company Eco-Recyclage, which is 33.33%-owned by Recylex SA and is accounted for under the equity method in the Group's consolidated financial statements, processed more than 4,600 tonnes of used batteries in the first half of 2011, up from 2,000 in 2010 as a whole.

Higher lead prices caused an increase in used battery prices in the first half of 2011. However, this price increase was smaller than in the first half of 2010, and this enabled battery processing plants to generate wider margins than in the year-earlier period.

The Nordenham smelter processed and produced a higher volume of material than in the first half of 2010, when its annual maintenance shutdown took place. The annual maintenance shutdown for 2011 will take place in the second half.

Relative to the first half of 2010, commercial conditions improved sharply for sales of sulphuric acid, which is a by-product made by the Nordenham plant from the sulphur contained in used batteries and lead concentrates.

The 38% increase in lead sales in the first half of 2011 relative to the first half of 2010 was partly driven by the 18% increase in lead prices (in euro terms). It was also supported by higher sales volumes, particularly of silver (another by-product of the Nordenham plant), combined with a sharp rise in silver prices.

However, high volatility in lead and silver prices in the first half of 2011 affected inventories of lead and silver, measured using the LIFO method. The impact was particularly severe on silver inventories. This dragged down operating income before non-recurring items (LIFO) relative to the first half of 2010.

##### **▪ Zinc recycling**

Sales in the zinc segment were comparable with those seen in the first half of 2010.

Recytech SA (50%-owned by Recylex) carried out a scheduled three-week maintenance shutdown in June 2011, and the Harz-Metall GmbH subsidiary shut its plant for scheduled maintenance in May 2011. Harz-Metall GmbH's maintenance shutdown directly affected the zinc segment's operating income in the first half of 2011 relative to the year-earlier period, since the company did not shut down its plant in the first half of 2010.

The zinc recycling business (Norzinco GmbH) had a good first half in 2011, due to the solid level of orders from the chemicals industry.

- **Plastics recycling**

Sales rose by 41% year-on-year. This was driven mainly by higher polypropylene prices and the ongoing upturn in business levels.

These positive factors boosted operating income for the first half of 2011.

- **Special Metals**

The 24% year-on-year rise in sales in the Special Metals segment in the first half of 2011 was driven by a sharp rise in germanium prices and an increase in germanium selling volumes. Sales of high-purity arsenic were boosted by a sharp rise in prices relative to the first half of 2010, driven by increased demand from producers of integrated circuits. Sales of other metals, excluding cadmium telluride sales, rose by 17% year-on-year in the first half of 2011.

Profitability also rose sharply year-on-year, with operating income increasing by more than 42%.

## **5. Other first-half highlights**

- **Legal proceedings**

- **Former employees of Metaleurop Nord SAS**

On February 9, 2010, Recylex decided to appeal against judgments made by the Douai Appeal Court, granting damages totalling around €12.4 million to 460 former non-managerial employees of Metaleurop Nord. The decision to appeal does not suspend execution of the judgments as part of the Recylex continuation plan, payable in instalments. The appeal decision of the Cour de Cassation is due on September 28, 2011.

Following the judgments handed down by the Douai Appeal Court on December 17, 2010, awarding damages of around €3.6 million to 84 former managerial employees of Metaleurop Nord, Recylex decided to appeal to the Cour de Cassation. Execution of these Douai Appeal Court judgments is also taking place as part of the continuation plan. The appeal to the Cour de Cassation is underway.

New claims for compensation were made in December 2010 by 137 former non-managerial and 55 former managerial employees of Metaleurop Nord SAS who were not party to the proceedings that began in 2006, representing a total claim amount of around €9.96 million. The next hearings before the industry and management sections of the Lens labour tribunal are scheduled for September 20, 2011.

- **Claim by the liquidators of Metaleurop Nord SAS for the repayment of liabilities**

The liquidators of Metaleurop Nord SAS appealed against the judgment of the Béthune Regional Court, handed down on February 27, 2007, rejecting their €50 million claim for the repayment of Metaleurop Nord SAS liabilities. On November 18, 2008, the Douai Appeal Court issued a stay of proceedings and invited the parties to apply to the Conseil d'État for a ruling on the legality of a regulatory provision. On May 20, 2011, the Conseil d'Etat rejected Recylex SA's application considering that the regulatory provision concerned was not illegal.

The claim has been listed for a procedural hearing in the Douai Appeal Court on September 23, 2011. On that date, the liquidators of Metaleurop Nord SAS will be able to make new submissions, to which Recylex SA will be able to respond until the closing date for the procedure, which will be set in due course by the Court of Appeal.

## 6. Outlook for the second half of 2011

- **Recent market developments**

Metal prices remained extremely volatile at the start of the second half of 2011, partly because of uncertainty relating to the European debt crisis.

- **Outlook by business segment**

Battery purchasing prices peaked at the end of the first half of 2011, and as a result margins in the Lead segment could contract in the second half relative to the first. In addition, scheduled maintenance shutdowns for all production plants in the Lead, Special Metals and Plastics segments will take place in the second half of 2011.

By contrast, the Zinc segment should see production at close to full capacity in the second half of 2011.

## 7. Financial communication schedule

- *Quarterly financial reporting (third quarter 2011)*

*November 10, 2011*

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